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U.S. DEPARTMENT OF COMMERCE

International Trade Administration

Executive-led Aerospace and Defense Industry Trade Mission to Turkey – Notification

AGENCY: International Trade Administration, Department of Commerce

ACTION: Notice

MISSION DESCRIPTION

The United States Department of Commerce, International Trade Administration, U.S. and Foreign Commercial Service (CS) is organizing a U.S. – Turkey Aerospace and Defense Industry Trade Mission to Ankara and Istanbul December 3-7, 2012. This mission will be led by a Senior Commerce Department official. The mission's goal is to introduce a variety of U.S. aerospace and defense industry manufacturers and service providers to end-users and prospective partners whose needs and capabilities are targeted to each U.S. participant's strengths. Participating in an official U.S. industry delegation, rather than traveling to Turkey on their own, will enhance the companies' ability to secure meetings in Ankara and Istanbul. Trade mission participants will have the opportunity to interact extensively with CS Turkey officers and specialists as well as State Department and U.S. Office of Defense Cooperation personnel to discuss industry developments, opportunities, and sales strategies.

During the mission, U.S. delegation members will learn about policies and opportunities in Turkey's aerospace and defense industry. Most industry manufacturers and component suppliers, distributors and agents are based in Ankara or Istanbul, offering the opportunity for good matchmaking and networking. In addition to government briefings, matchmaking and networking opportunities, the

trade mission will include three site visits to company facilities and production centers in both Ankara and Istanbul.

COMMERCIAL SETTING

Turkey is at the crossroads of Europe, between the Middle East and Asia and an emerging aerospace and defense hub for markets in Europe, the Caucasus, and the Middle East and North Africa (MENA). With a population of over 70 million people, it has the world's sixth largest army with 720,000 soldiers. This is the second largest army in NATO after the United States. The Turkish Air Force (TAF) is the world's third largest operator of the F-16, following the United States and Israel.

Turkey's defense industry is financed primarily by the national budget and Defense Industry Support Fund, and partially by military loans. In Fiscal Year 2011 over \$11 billion was allocated to the Ministry of Defense (MOD) spending, 47.5 percent of which was allocated to procurement of goods and services. There is an emphasis on R&D capabilities and the advancement of the national industrial capability. Joint production and technological cooperation are preferred to foreign military sales (FMS) and off the shelf procurements.

The Turkish market is particularly promising for U.S. suppliers seeking joint-venture opportunities. There are increased opportunities for U.S. small- and medium- sized enterprises within a Turkish partnership framework to enable the modernization of the Turkish Armed Forces. Within the next 25 years, a large portion of the Turkish Armed Forces 'combat weapons and equipment will need to be replaced or modernized.

A focal point of the trade mission will be the Turkish Armed Forces Foundation (TuAFF). Created after the 1974 US embargo over the Cyprus issue, the TuAFF enables a defense base for Turkey

that creates indigenous or partnered projects, ensuring an independence from a U.S. -only defense environment. It is critical therefore to work with Turkish partners and with the TuAFF where U.S. projects are concerned. The Commercial Service and the Office of Defense Cooperation can assist with appropriate commercial access to assist U.S. companies participating in this partnering endeavor.

The TuAFF is managed by a Board of Trustees consisting of the Minister of National Defense, the Deputy Chief of the General Staff, the Undersecretary of the Ministry of National Defense and the Minister of National Defense Undersecretary of Defense Industry.

Opportunities with the major TuAFF affiliates and subsidiaries will be a primary point of interest for mission participants. The major TuAFF affiliates and subsidiaries are:

- ASELSAN: Communication and information technologies, radars, electronic warfare and intelligence systems and defense systems technologies
- Turkish Aerospace Industries (TAI): Aero structures and space, integrated helicopter systems, integrated aircraft systems, training and consultancy
- HAVELSAN: Software and systems related to C4ISR, naval combat systems, air defense systems, management information systems, simulation and training systems, homeland security systems and energy management systems

- ROKETSAN: Rocket and missile technologies - structural, thermal, mechanical design; internal ballistics; guidance-control, weapon systems, aerodynamic, composite structures, propellant systems and warhead technologies
- ISBIR: Alternators, frequency convertors, gensets
- ASPILSAN : battery pack and Ni-Cd aircraft batteries
- Tusas Engine Industries (TEI): Parts and module production, engine assembly and test maintenance, repair and overhaul services, engine design and product development
- DITAS: Ship owner/ ship management, brokering/ chartering, ship and tugboat management, vetting and ship vetting
- MIKES: Electronic warfare, radar warning receivers, electronic counter measure systems, chaff flare dispensing systems, electronic support measures, software solutions, avionics

TuAFF organizes the biannual International Defense Industry Fair (IDEF) in Istanbul. IDEF is certified by the U.S. Department of Commerce as a platform vehicle for U.S. firms to enter and expand sales in the Turkish defense market. As the premier defense exhibition for Turkey and the region, in 2011 IDEF hosted 575 exhibitors from 44 countries and over 40,000 visitors. The U.S. Department of Commerce, Commercial Service, supported 21 U.S. participants and the U.S. Pavilion at IDEF 2011.

Civil Aviation

Turkey, a large country with a growing economy, is the size of Texas and is strategically located three hours by plane to 1.5 billion people and \$23 trillion of GDP as it is surrounded by developed (Europe) and emerging (Russia, Caucasus and MENA). As a result of Turkey's growing economy and population, Turks have come to rely on domestic and international air service increasingly over the past years. International and domestic passenger numbers in 2009 in Turkey totaled 85 million. An important growth factor for the Turkish aviation industry is the growth of the overall economy-expected at 7-8 percent for 2010. This economic growth has given Turks more money to travel. Turkey's per capita gross national income more than tripled between 2002 and 2009, to \$8,730, according to World Bank figures. DHMI, the State Airport Authority is under the umbrella of the Ministry of Transportation. DHMI is responsible and has the final authority for licensing, tendering, building and operating of airports, air traffic management and control, airport management, ground services, airlines and air safety. Presently, there are 44 commercial airports in operation in Turkey. With a work force of more than 7,500 employees, DHMI is the largest Turkish procurement authority with respect to air traffic control (ATC) equipment, navigation aids, airside airport infrastructure, and airport security systems.

DHMI expects to procure safety and security equipment, ground control equipment, perimeter security, communications, runway and landing lighting as well as automated landing systems. Specifically mentioned are bomb detection equipment by nuclear and chemical detection equipment, x-ray machine upgrades, next generation door detectors, fingerprint access to restricted areas and airport perimeter security.

Turkey's aerospace industry has experienced rapid growth over the past decade. In 2010, Turkey's aerospace import market size was \$4.2 billion, a compound annual growth rate of 12.5 percent since 2000. In 2010, Turkey's aerospace imports from the U.S. were \$2.7 billion (64 percent of the market). U.S. aerospace companies have a strong presence in Turkey that is expected to continue.

Turkey's strategic location ensures unrivaled advantages in airline, maintenance, repair and overhaul (MRO), cargo and air taxi services in the region. With the addition of Ordu and Mersin airports, the number of civil airports in Turkey grew to 46 in 2010. Istanbul is considering adding a 3rd international airport. In 2009, 19 airlines (including 3 cargo airlines) and 61 air taxi operation companies were active (more recent data is not available). The increase of regional airlines will ensure further growth in the industry. A good example of this growth is that in 2002, Turkish Airlines (then a monopoly) flew to 25 locations from two hubs, total annual domestic passenger traffic of approximately 8.7 million. Today, over 16 passenger airlines carry 41 million domestic passengers and 44 million international passengers from 7 hubs. These figures show the diversification and growth of the civil aviation market. This rapid growth presents immediate and long-term opportunities for U.S. firms.

Since 2002, there has been a 372 percent increase in domestic passenger traffic, a 77 percent increase in international passenger traffic and a 153 percent increase in total (domestic & international) passenger traffic. There are a total of 329 private airline companies operating in the Turkish aerospace industry, 17 of which are Turkish. These companies are creating demand for aircraft parts (new and used) as well as safety equipment, training and management. An example of airline growth in Turkey is Turkish Airlines. Turkish Airlines has grown 15-20 percent on average over the past 10 years. Currently Turkish Airlines is the 4th largest airline in Europe with 142 aircraft (including 64

new aircraft orders), 159 destinations (38 domestic and + 121 international) and was named the Best Airline in Europe at the 2011 Paris Air Show World Airline Awards.

MISSION GOALS

The goal of the U.S. - Turkey Aerospace and Defense Industry Trade Mission is to (1) introduce U.S. companies to Turkish business partners and industry representatives; and (2) introduce U.S. companies to Turkish government officials to learn about various U.S.-Turkish and Turkish aerospace and defense program opportunities.

MISSION SCENARIO

The trade mission will visit Ankara and Istanbul, Turkey, December 3-7, 2012.

Trade mission members will meet with officials from the Ministry of Defense (UnderSecretary of Defense Industries / SSM), DHMI, and Turkish Armed Forces Foundation, and will take part in business matchmaking appointments with private-sector entities. In addition, participants will attend an Embassy briefing and networking events with U.S. and Turkish government officials and various Turkish companies, participate in at least three site visits and multiple one-on-one business matchmaking appointments.

Matchmaking efforts will involve relevant networking groups such as: the Defense Industry Manufacturers Association (SASAD), Turkey's primary association for producers of defense systems and equipment, and the two American Chambers of Commerce in Turkey. U.S. participants will be counseled before and after the mission by U.S. Export Assistance Center trade specialists, primarily by members of the Aerospace and Defense Technology Team. Participation in the mission will include the following:

- Pre-travel briefings/webinar on subjects ranging from business practices in Turkey to security;
- Pre-scheduled meetings with potential partners, distributors, end users, and local industry contacts in Ankara;
- Transportation to/from the hotel to meetings for the duration of the mission;
- Meetings with key U.S. and Turkish government officials; and
- Participation in industry networking receptions.

PROPOSED TIMETABLE

Monday December 3	<ul style="list-style-type: none"> • Trade Mission Participants Arrive in Ankara • Dinner with CS / ODC / PMA Staff
Tuesday December 4	<ul style="list-style-type: none"> • Welcome briefing by U.S. Embassy country team • Presentations by selected trade mission participants to UnderSecretary of Defense Industries (SSM) Murad Bayar (TBC) • Lunch hosted by SASAD, Association of Turkish Defense Industry Companies (TBC) • One-on-One business matchmaking appointments • Networking Reception with members of Ankara Business Community at Ambassador's Residence (TBC)
Wednesday December 5	<ul style="list-style-type: none"> • One-on-one matchmaking appointments • Lunch and Site visit at Turkish Aerospace Industries (TAI) (TBC) • Fly to Istanbul

Thursday December 6	<ul style="list-style-type: none"> • One-on-one business matchmaking appointments • Lunch hosted by American Business Forum in Turkey (TBC) • Site visit (Turkish Technic MRO with Aerospace companies/ Istanbul shipyards for Defense companies) (TBC) • Late afternoon / evening networking event hosted by TABA (TBC)
Friday December 7	<ul style="list-style-type: none"> • Trade Mission Participants Depart

PARTICIPATION REQUIREMENTS

All parties interested in participating in the Executive-led U.S. - Turkey Aerospace / Defense Industry Trade Mission must complete and submit an application for consideration by the Department of Commerce. All applicants will be evaluated on their ability to meet certain conditions and best satisfy the selection criteria as outlined below. Recruitment for the mission is open on a rolling basis starting January 16, 2012 and will be open until we have reached our limit of 15-20 qualified U.S. companies.

Fees and Expenses:

After a company has been selected to participate on the mission, a payment to the Department of Commerce in the form of a participation fee is required. The participation fee will be \$4,850.00 for large firms and \$3,435.00 for a small or medium-sized enterprise (SME),* which includes one principal representative. The fee for each additional firm representative (large firm or SME) is

* An SME is defined as a firm with 500 or fewer employees or that otherwise qualifies as a small business under SBA regulations (see http://www.sba.gov/services/contracting_opportunities/sizestandardstopics/index.html). Parent companies, affiliates, and subsidiaries will be considered when determining business size. The dual pricing schedule reflects the Commercial Service's user fee schedule that became effective May 1, 2008 (for additional information see <http://www.export.gov/newsletter/march2008/initiatives.html>).

\$500. Expenses for lodging, some meals, incidentals, and airfare to/from Turkey (including the domestic flight from Ankara to Istanbul) will be the responsibility of each mission participant.

Conditions for Participation:

- An applicant must submit a completed and signed mission application and supplemental application materials, including adequate information on the company's products and/or services, primary market objectives, and goals for participation. If the Department of Commerce receives an incomplete application, the Department may reject the application, request additional information, or take the lack of information into account when evaluating the applications.
- Each applicant must also certify that the products and services it seeks to export through the mission are either produced in the United States, or, if not, marketed under the name of a U.S. firm and have at least fifty-one percent U.S. content.

Selection Criteria for Participation

Selection will be based on the following criteria:

- Suitability of a company's products or services to the mission's goals
- Applicant's potential for business in Turkey, including likelihood of exports resulting from the trade mission
- Consistency of the applicant's goals and objectives with the stated scope of the trade mission

Any partisan political activities (including political contributions) of an applicant are entirely irrelevant to the selection process.

TIMEFRAME FOR RECRUITMENT AND APPLICATIONS

Mission recruitment will be conducted in an open and public manner, including publication in the Federal Register, posting on the Commerce Department trade mission calendar (<http://www.trade.gov/trade-missions>) and other Internet web sites, press releases to general and trade media, direct mail, notices by industry trade associations and other multiplier groups, and publicity at industry meetings, symposia, conferences, and trade shows. The timeline for recruitment of this mission will allow for vetting and selection decisions on a rolling basis beginning January 17, 2012 until the maximum of 15-20 participants are selected or until the application period ends on September 28, 2012. Although applications will be accepted through September 28, 2012, applications received after that date will be considered only if space and scheduling constraints permit. All interested U.S. firms are encouraged to submit their applications as soon as possible. We will inform applicants of selection decisions as soon as possible after they are internally reviewed.

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